

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 L-03 CIAE-00 COME-00 DODE-00

DOT E-00 EB-07 FMC-01 INR-07 NSAE-00 CG-00 OFA-01

DLOS-04 /039 W

----- 065864

R 301415Z OCT 75

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 8747

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EO 11652: NA

TAGS: EWWT, GT

SUBJ: DELTA/FLOMERCA DISPUTE-STATUS REPORT

REF: A. GUATEMALA 5924

B. GUATEMALA 5679

SUMMARY: NATIONAL ECONOMIC COMMISSION REPORTEDLY TO MEET NOV 6 TO CONSIDER REFORM OF SHIPPING REGIME. CHAMBER OF COMMERCE HAS FINALIZED ITS MARITIME TAX BILL AND WILL PRESENT IT TO PRESIDENT AND FLOMERCA IN TIME FOR THIS MEETING. FLOMERCA STILL CONSIDERING STEPS TO TAKE VIS-A-VIS DELTA TO FORESTALL RETALIATORY FMC ACTION AGAINST CURRENT SYSTEM. END SUMMARY.

1.OCT 27, AS SCHEDULED (REF A), EMBOFF MET WITH ANDRADE, SECRETARY, NATIONAL ECONOMIC COMMISSION (NEC), AND WAS INFORMED THAT ALL MINISTERS CONCERNED NOW UNDERSTOOD URGENCY OF CONSIDERATION BY GOG OF CHANGES IN SHIPPING REGIME. ANDRADE STATED FRANKLY THAT GOG DID NOT WISH ANOTHER CLASH WITH US "ON TOP OF OTHER PROBLEMS" (MILITARY SUPPLY, BELIZE, ETC). HE REPORTED THAT FOREIGN MINISTRY (WHERE PREVIOUSLY PROPOSED MARITIME TAX BILL HAD BEEN SENT) WAS WORKING ON "PROYECTO DE REFORMA" AND IT WOULD BE SUBMITTED FOR CONSIDERATION

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BY NATIONAL ECONOMIC COMMISSION, CHAIRED BY PRESIDENT,

IN SPECIAL MEETING SET UP FOR NOV 6.

2. ALSO AS SCHEDULED, CHAMBER OF COMMERCE MET IN EXTRAORDINARY SESSION OCT 25, IRONED OUT INTERNAL DIFFERENCES IN ITS PROPOSED MARITIME TAX BILL AND WILL BE PASSING IT TO PRESIDENT AND FLOMERCA OCT 30. EMBOFF CONFIDENTIALLY INFORMED BANUS OF CHAMBER OF UPCOMING MEETING OF NEC AND REVIVAL OF CONSIDERATION OF TAX BILL IN FOREIGN MINISTRY. HE HAS GOOD CONTACTS THERE AND WILL BE IN TOUCH WITH FOREIGN MINISTRY OFFICIALS CONCERNED TO INSURE THEIR "PROYECTO DE REFORMA" WILL DOVETAIL WITH CHAMBER'S PROPOSED TAX BILL.

3. IN STRICTEST CONFIDENCE BANUS SHOWED EMBOFF THE CHAMBER APPROVED DRAFT LAW. IT WOULD IMPOSE TAX OF 5 PERCENT OF NET FREIGHT REVENUE (UP AGAIN FROM 3 PC) ON IMPORTS BROUGHT IN BY ALL LINES, INCLUDING GUATEMALAN. EXPORT CARGO NOT TO BE TAXED, IN ORDER TO AVOID WHAT MIGHT BE UNIVERSAL OPPOSITION BY EXPORTERS HERE. PETROLEUM PRODUCTS AND OTHER CARGO BROUGHT IN FROM CENTRAL AMERICAN COUNTRIES ALSO WILL BE EXCLUDED FROM TAXATION. PROCEEDS TO GO DIRECTLY TO CORFINA FOR RELENDING "TO DEVELOP NATIONAL MERCHANT MARINE." CORFINA, AS OWNER OF NEARLY ALL STOCK IN FLOMERCA, WILL THEN PROVIDE FINANCING FOR MOST PART TO THAT LINE. POSSIBILITY LEFT OPEN, HOWEVER, OF LENDING TO ARMAGUA AND LINEAS MARITIMAS GUATEMALTECAS, IN ORDER TO AVOID OPPOSITION TO BILL ON PART OF PRIVATE-SECTOR INTERESTS. BANUS SAYS TAX BILL WILL BRING INTO FLOMERCA PERHAPS AS MUCH AS \$1.5 MILLION EQUIVALENT A YEAR, AS AGAINST INCOME FROM COMMISSIONS PAID UNDER ASSOCIATION AGREEMENTS OF AROUND \$400,000.

4. BANUS HAS BEEN WORKING CLOSELY WITH NEW MANAGER OF FLOMERCA, MUNOZ (REF B) AND HAS GOTTEN GENERAL ASSURANCE THAT CHAMBER BILL ACCEPTABLE TO FLOMERCA. BOARD OF DIRECTORS HOWEVER COULD CONCEIVABLY WISH TO PROPOSE SOME CHANGES WHEN THEY MEET FOLLOWING CHAMBER'S PRESENTATION OF BILL OCT 30.

THESE CHANGES WOULD BE PASSED ON TO PRESIDENT, AND BANUS HOPES GOVTHJILL BE ABLE TO SUBMIT BILL TO CONGRESS AND PUSH IT THROUGH "IN A MONTH'S TIME". (EMBASSY WILL BELIEVE LIMITED OFFICIAL USE

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THIS WHEN IT SEES IT).

5. RE SPECIAL MEETING OF FLOMERCA BOARD OF DIRECTORS OCT. 27 TO CONSIDER ACTION TO BE TAKEN TO FORESTALL FMC RETALIATORY ACTION (REF A), QUEZADA OF DELTA REPORTS THAT BOARD MET BUT DECIDED TO SEEK STATUS REPORT ON FMC DELIBERATIONS FROM FLOMERCA LAWYER IN US AND ALSO GUATEMALKR AMBASSADOR ASENSIO. US AGENT FOR FLOMERCA, LONE STAR SHIPPING, ATTENDED MEETING AND REPORTEDLY

PRESSED NEED FOR IMMEDIATE ACTION BY FLOMERCA. QUEZADA IS
URGING THAT FLOMERCA SEND REP. TO NEW ORLEANS TO TALK
WITH DELTA. ANOTHER MEETING OF FLOMERCA BOARD
SCHEDULED FOR OCT 28 TO DECIDE ACTION FLOMERCA NOW
SHOULD TAKE.
MELOY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, TRADE COMPLAINTS, BUSINESS FIRMS, REORGANIZATIONS, CENTRAL GOVERNMENT
Control Number: n/a
Copy: SINGLE
Draft Date: 30 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975GUATEM06015
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750377-0220
From: GUATEMALA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975106/aaaaafhh.tel
Line Count: 121
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 GUATEMALA 5924
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 08 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 SEP 2003 by ellisoob>; APPROVED <19 NOV 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DELTA/FLOMERCA DISPUTE-STATUS REPORT
TAGS: EWWT, ETRD, GT, DELTA/FLOMERCA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006